



Burrell Conference

28 October 2023

Dexus Asset Management Limited ACN 080 674 479 AFSL 237 500
as responsible entity for Dexus Convenience Retail REIT

Acknowledgement of country

Dexus Convenience Retail REIT acknowledges the Traditional Custodians of the lands on which our business and assets operate, and recognises their ongoing contribution to land, waters and community.

We pay our respects to First Nations Elders past and present.

Artwork: *Changing of the Land* by Sharon Smith.



Market overview

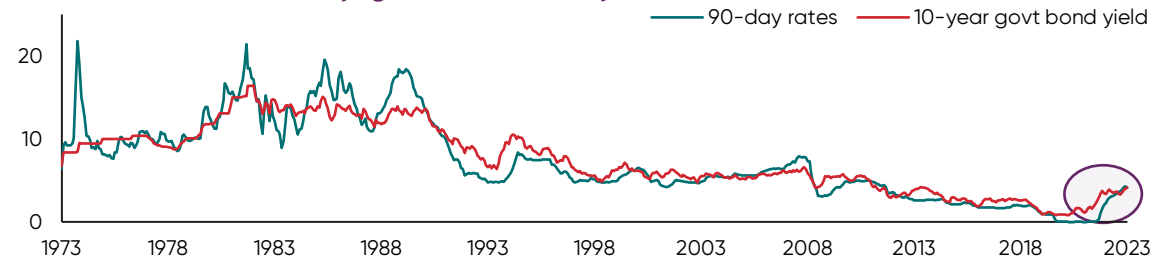


Broader commercial real estate market dynamics

Interest rates

- › Interest rates continue to rise to curb inflation
- › Interest rate increases can be seen as a normalisation rather than a quantum shift

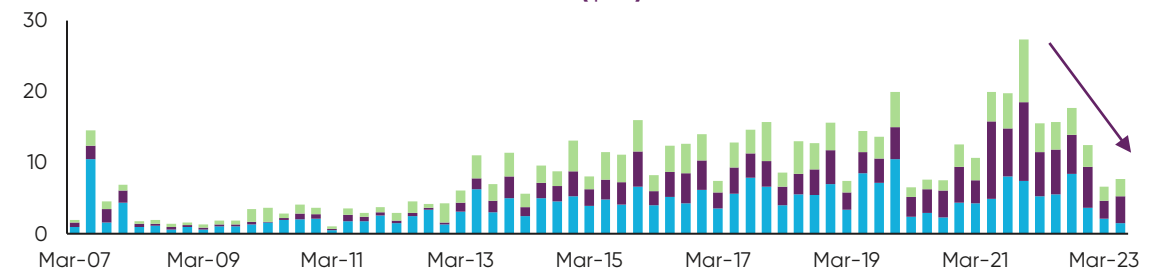
Australian cash rate vs 10yr government bond yield



Transaction volumes

- › Transaction volumes decreasing due to buyer caution in response to rising interest rates
- › Demand for real assets is expected to be underpinned by strong population growth

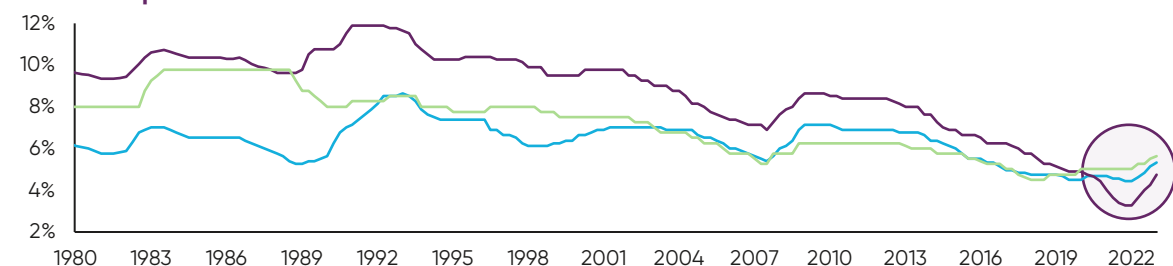
Commercial real estate transaction volumes (\$bn)



Cap rates

- › Capitalisation rates across sectors have expanded due to rising interest rates
- › Industrial cap rates have increased at a faster rate due to the low levels reached during the pandemic
- › Rental growth continues to support asset valuations

Sector capitalisation rates



Real estate sub-sector trends

Office

- › Challenging operating conditions with high incentives due to elevated vacancy
- › 'Flight to quality' and 'flight to CBD' evident
- › Smaller users continue to drive demand

Industrial

- › Market beginning to normalise post record levels of rental growth
- › Inner markets appear more resilient
- › Vacancy levels remain low compared to global markets

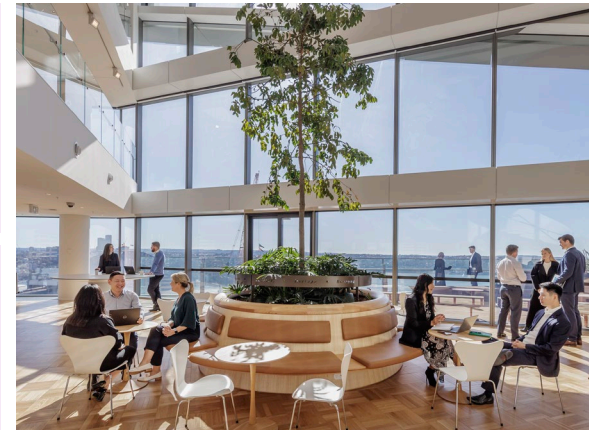
Retail

- › Retail sales normalising post abnormally high sales throughout pandemic
- › Non-discretionary spending holding up better than discretionary spending

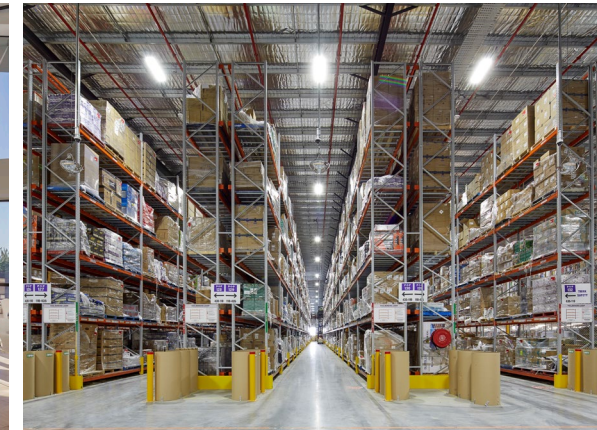
Healthcare

- › Healthcare environment has been resilient with increased private health insurance up-take
- › Higher inflation environment leading to cost pressures for some operators

Select Dexus group assets



Quay Quarter Tower, Sydney NSW



Jandakot Airport and industrial precinct, Perth WA



Indooroopilly Shopping Centre, Brisbane QLD



Australian Bragg Centre, Adelaide SA

DXC overview



DXC investment proposition

Providing investors with defensive income with embedded rental growth



Generate defensive income with embedded rental growth

- › **+3.7%** average rent review in FY23
- › **>99%** occupancy (by income)
- › **9.7 year** WALE (by income)
- › **88%** income derived from 10 national and international major tenants



Maintain prudent capital structure

- › Appropriate gearing of **31.8%¹**, within 25-40% target range
- › Interest range hedging for FY24 expected to be **>70%²**
- › **4.2 years³** average debt tenure
- › Significant headroom to covenants



Active approach to portfolio optimisation

- › Significant portfolio curation activity
- › FY23 non-core asset disposals equivalent to **7% of portfolio⁴**
- › Expect high-quality acquisition opportunities to emerge over next 12 months



Aligned manager with deep real asset capability

- › Dexus principal ownership of **9%**
- › Dexus brings capital transaction, development, leasing and asset management capability across its \$61.0 billion platform of real asset segments⁵

Key metrics



\$781m
portfolio



6.10%
WACR



99.4%
occupancy
(by income)



9.7 year
WALE
(by income)



31.8%¹
Gearing



~9%
distribution
yield⁶



40%
trading discount
to NTA⁶

1. Reflects pro forma gearing as at 30 June 2023 for asset sales that have settled post period end.. At 30 June 2023, gearing was 33.4%.

2. Based on existing hedges in place as at 30 June 2023 and assuming no further transactional activity.

3. Pro forma for \$30 million facility extension that occurred on 31 July 2023.

4. Includes the sale of 656 Bruce Highway, Woree, QLD, 1182 Chapman Road, Glenfield WA, 264 Browns Plains Road, Browns Plains, QLD and 323 North East Road, Hampstead Gardens, SA for combined proceeds of \$18.6 million which settled post 30 June 2023.

5. As at 30 June 2023. Pro forma post final completion of the AMP Capital acquisition.

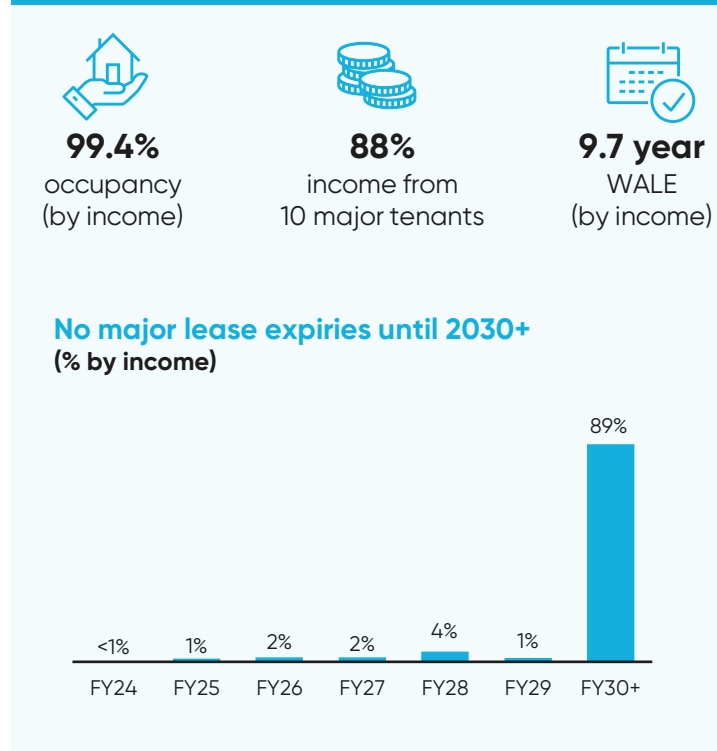
6. Based on closing security price as at 20 October 2023.

Defensive income with embedded rental growth

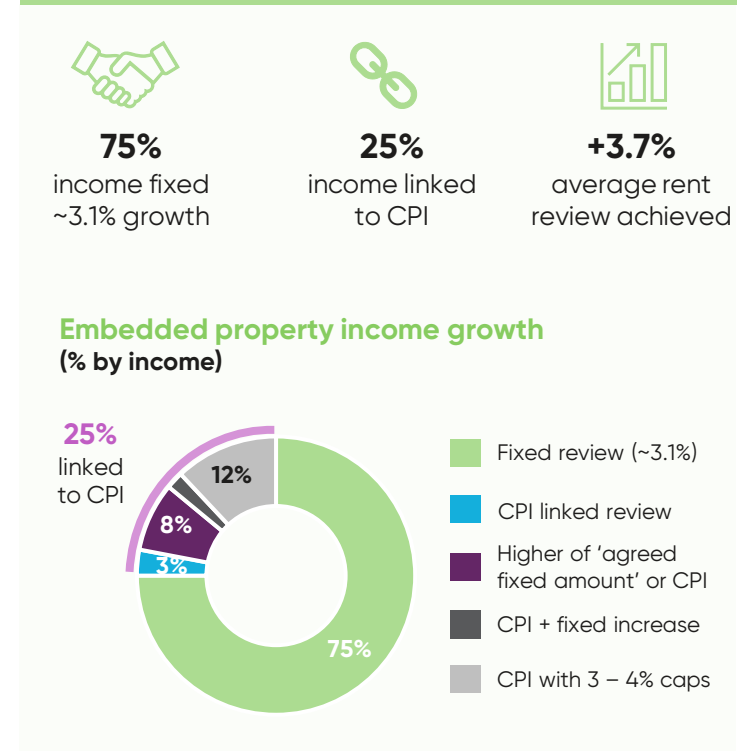
Top tenants

Tenant	% portfolio income
Chevron	33%
7-Eleven	13%
Viva Energy	12%
EG Australia	10%
Mobil	5%
OTR	4%
United	4%
Ampol	3%
Coles Express	2%
BP	2%
Top 10	88%
QSR & other national tenants	12%
Total	100%

Income resilience



Growth



Strategic portfolio underpinned by valuable landbank

National footprint of 105 assets


Key metrics


 **77%** weighted to eastern seaboard

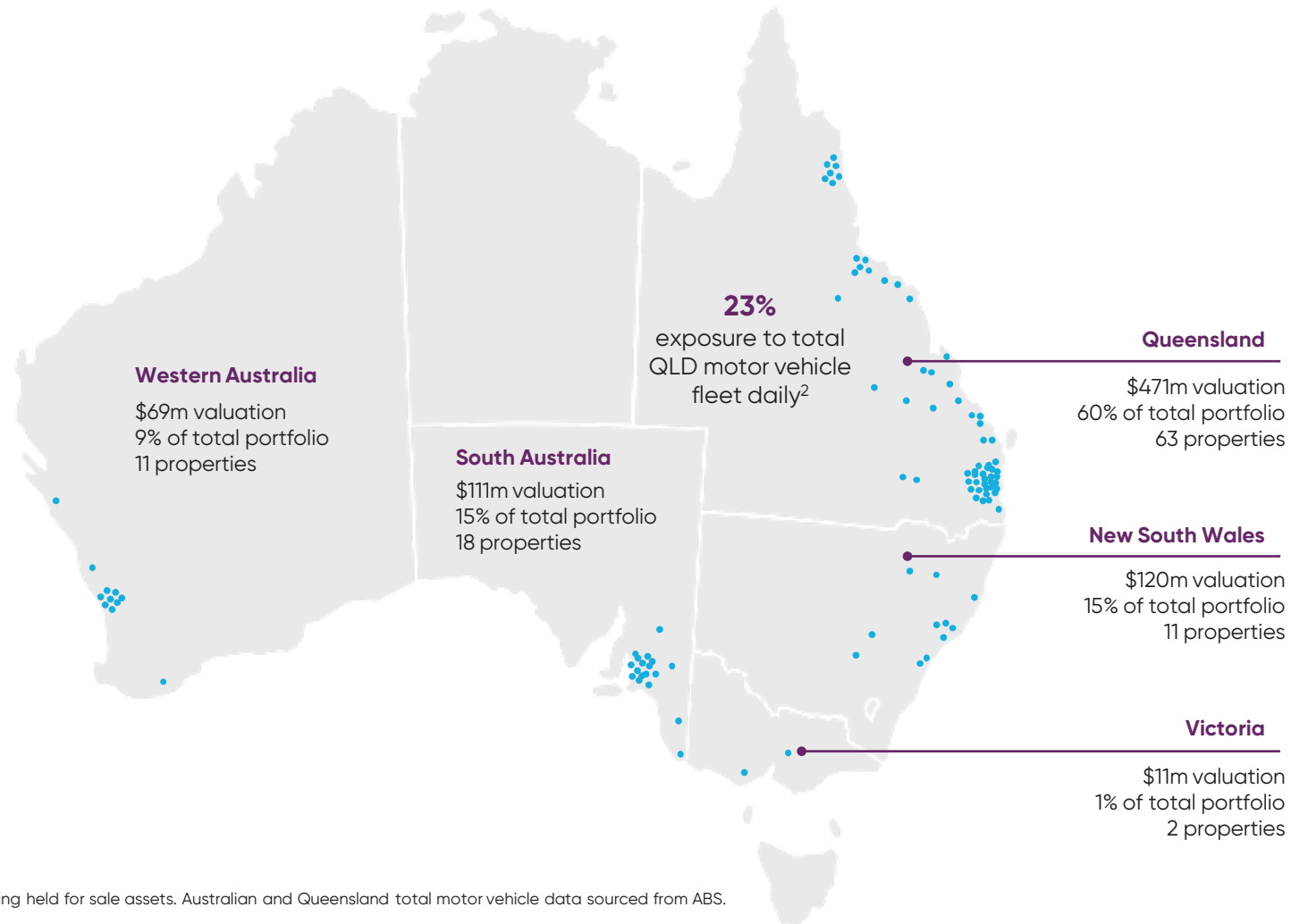
 **676,000sqm** total site area

 **2.9m** people within 3km radius¹

 **68** specialty retail tenancies

 **9%** exposure to total Australian motor vehicle fleet daily²

 **2.1%** population growth since last census, 0.3% above national average¹



1. Estimate as at May 2023 sourced from AreaSearch. Based on 3km radius.

2. Portfolio estimated traffic count data based on portfolio as at 30 June 2023, excluding held for sale assets. Australian and Queensland total motor vehicle data sourced from ABS.

Sub-sector spotlight: fuel & convenience retail

Key trends



Sale of fuel volumes remain robust, particularly diesel for long-haul transport

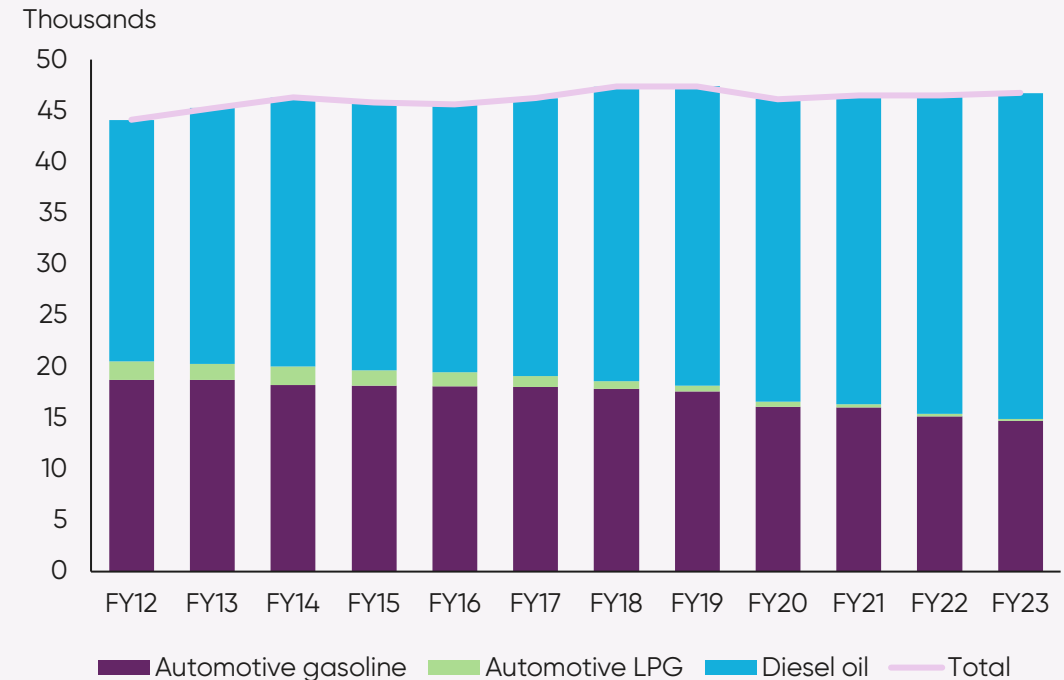


Operators investing in convenience retail offerings, including through M&A (e.g. Viva Energy acquisition of Coles Express and OTR)



Varied approaches to rise in electric vehicle adoption but not expected to materially impact industry in medium-term

Sales volumes of petroleum products¹







Source: ABS, Dept of Industry, Science, Energy and Resources, energy.gov.au, Australian petroleum statistics, Dexus Research.
1. Premium diesel oil excluded from the chart due to limited data.

Manager spotlight: significant portfolio curation

Enhancing the portfolio and balance sheet in a subdued market

Outcomes ¹	
11	assets divested
\$52.3m	total divestments value (7% of portfolio)
2.5%	average discount to book value
6.69%	average cap rate ²

Portfolio enhancement ¹	
 42%	of assets sold located in regional areas
 21%	reduction in assets with older tank infrastructure
 3.7%	increase in average asset size (by value)
 ~4ppt	reduction in gearing from asset sales



1. Includes the sale of 656 Bruce Highway, Woree, QLD, 1182 Chapman Road, Glenfield WA, 264 Browns Plains Road, Browns Plains, QLD and 323 North East Road, Hampstead Gardens, SA for combined proceeds of \$18.6 million which settled post 30 June 2023.
 2. By value. Based on book value capitalisation rate of assets prior to divestment.

What is the equity market pricing in?

There is a disconnect between listed and direct pricing in the market

Listed market pricing



40% trading discount to NTA¹



8.36% implied cap rate¹, **226bps** higher than book cap rate of 6.10%



Direct market pricing

65 market transactions at average cap rate of **6.1%** allowing for asset price discovery



Investors taking a long-term view on interest rates, underlying land value and tenant lease renewals

Key drivers of pricing disconnect

- › General equities appetite for A-REITs has reduced due to rising interest rate environment
- › Appetite expected to remain subdued until interest rates stabilise with a clearer outlook
- › Performance of smaller A-REITs also impacted by lower levels of stock liquidity

Pricing disconnect provides the opportunity to access a high-yielding investment with prospects for a security price re-rate over time



219 Westphalen Drive, Warrego QLD

1. Based on closing security price as at 20 October 2023.

Questions



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